

TESTIMONY OF BRIDGESTONE/FIRESTONE, INC.
BEFORE THE SENATE COMMERCE COMMITTEE

SEPTEMBER 12, 2000

On August 9, 2000, Bridgestone/Firestone, Inc. ("Firestone") voluntarily recalled an estimated 6.5 million tires manufactured by Firestone in North America in the 1990s. Firestone undertook this massive effort in the interest of public safety and in cooperation with Ford Motor Company ("Ford") and the National Highway Traffic Safety Administration ("NHTSA").

The recalled tires, all P235/75R15 Firestone Radial ATX and ATXII tires manufactured in North America and P235/75R15 Firestone Wilderness AT tires manufactured in its Decatur, Illinois, plant, have been used for most of the last decade as original equipment on light trucks and sport utility vehicles, including the popular Ford Explorer.

Working together with Ford, Firestone has taken extraordinary measures to speed up the recall by urging other tire manufacturers to ramp up production, by airlifting tires from Japan, and by significantly increasing the output of American plants. Firestone is also reimbursing customers who replace recalled tires with competitors' brands. To date, we estimate that approximately 2,000,000 of the recalled tires have been replaced.

A small percentage of recalled tires have experienced tread belt separations in a number of serious accidents. Tread belt separations are usually caused by tire damage, underinflation, or simply by using worn-out tires, but separations can also

be caused by defects. We have been working very hard to determine the root cause or causes of the problem. The process is made more difficult because we are talking about a very small percentage of a large population of tires and the difficult and highly variable operating conditions, which also affect tire performance. We believe we have narrowed the focus and this week we will name an independent third party to verify our work to date and to help us move to a more definitive solution. We believe the vast majority of the recalled tires is safe, but the incidents, serious injuries and deaths involving these tires led to the recall.

Since the recall was announced, there has been strong public reaction, most of it negative. More adverse publicity came out of last week's Senate and House Committee hearings, where a number of important new questions and issues were raised. We will provide answers today where we have answers, and as soon as possible where we do not yet know.

I. Recall Background

Firestone vigilantly monitors data on the in-service performance of its tire lines. We do product testing; we study warranty adjustment data; and, where possible, we analyze failed tires returned from the field. All these indicators showed satisfactory performance on the part of these tires. The ATX, ATXII and Wilderness AT tires passed Firestone internal design and development testing and Federal Motor Vehicle Safety Standard testing, as well as Ford's development and test track requirements.

In February 2000, television station KHOU ran a report on tread belt separations of Firestone ATX and Wilderness tires and their involvement in Ford Explorer rollovers. Following that news broadcast, Firestone received an increased number of claims and lawsuits, the most serious of which seemed to be occurring in the warmest climates in the United States. In May 2000, the NHTSA began a Preliminary Evaluation of certain tires including the radial ATX and Wilderness AT lines. Following commencement of that Preliminary Evaluation, Firestone received notice of an even larger number of claims and lawsuits involving tread belt separations on Firestone tires mounted on Ford Explorers.

In July 2000, Firestone provided the NHTSA with data on property damage claims, data on claims for personal injury and lawsuits, and related information regarding the history of the Firestone tire products that were the subject of the Preliminary Evaluation. Ford then asked Firestone for that same information and Ford performed a statistical analysis using Firestone's data. The conclusion drawn by Ford and Firestone from this analysis was that the tires that eventually became the subject of the recall were overrepresented in the claim data. Tires manufactured in the Decatur plant were also overrepresented.

The P235/75R15 tires in question are an exceptionally large population. The approximately 15 million Firestone tires used on the Ford Explorer are the largest single vehicle application in Firestone's history and perhaps the largest in automotive history. In such a vehicle population, particularly one involving all terrain tires and the unique loading and hard service of sport utility vehicles and

light trucks, some number of tread belt separation incidents and claims would be fairly expected. Additionally, these types of vehicles present risks and accident severities different from ordinary cars. Rollover accidents present an enhanced potential for injury and death, particularly when occupants do not wear seatbelts.

Given the number of serious accidents involving tread belt separations that surfaced after the onset of the NHTSA preliminary evaluation, and after Firestone reviewed Ford's analysis during the first week of August, Firestone decided, in conjunction with Ford and after advising the NHTSA, to initiate the voluntary recall that is the subject of this hearing.

Firestone initiated the August 9 recall without identifying or pinpointing any particular cause or explanation for the tread separations and did so even though none of the yardsticks typically relied upon to measure tire performance indicated that the recalled tires were unsafe.

Moreover, with respect to SUV's and light trucks, we also know from federal databases that tire-related rollovers account for less than 10 percent of the fatal rollovers with these vehicles. We are also aware that many other tire brands have been involved in tire-related accidents on SUV's and light trucks. We believe that in the interest of the American public, one aspect of future evaluation should focus on the tire-vehicle interaction in SUV's and light trucks.

II. Recall/Reimbursement Details

Firestone is replacing recalled tires as quickly as possible and has been since the day the recall was announced. Rather than wait until we had sufficient tires in inventory to replace the recalled tires, we went forward with the recall on August 9, 2000, out of deep concern for customer safety.

While we are assuring adequate shipments of replacement tires to the Southern and Southwestern states where more than a substantial majority of the reported accidents have occurred, we are shipping tires to all states. Working together with Ford, Firestone has taken extraordinary measures to speed up the recall by urging other tire manufacturers to ramp up production, by airlifting tires from Japan and by significantly increasing the output of American plants.

Customers whose recalled tires are replaced at one of our 1,500 Company stores, 8,500 authorized retailer locations, or 3,000 Ford, Mercury and Mazda locations, will have their tires replaced, mounted and balanced at no charge, with no taxes charged.

If the customer elects to purchase competitive tires as replacements for the recalled tires, Firestone will reimburse purchase costs, up to \$100.00 per tire, an amount Firestone believes to be fair and reasonable. In the reimbursement situation, the customer needs to obtain and keep a receipt or invoice from the supplier of the tires, return the recalled tires to a Company store, authorized retailer or auto dealer location, obtain a recalled tire surrender receipt, and mail the appropriate documents to Firestone.

Firestone estimates that 2,000,000 tires have been replaced to date.

Firestone is committed to customers' safety and urges all drivers to keep their tires inflated to the level specified by the vehicle manufacturer. For drivers of Ford Explorers and Mercury Mountaineers with this size tire we are recommending an inflation of 30 P.S.I.

III. Questions From September 6 Hearings

A. Saudi Arabia

A March 1999 Ford document was read by some to suggest that Firestone covered up a tire performance problem on Explorers in Saudi Arabia to avoid triggering an obligation to report the matter to the DOT or the NHTSA. The suggestion is false.

In fact, the internal Ford memo makes very clear that the comparable tires on U.S. vehicles were performing "very favorably" when compared to "other Firestone tires, car and truck." Firestone's decision was a technical decision based on engineering data, not a legal decision.

The tire failures in Saudi Arabia of which Firestone is aware were caused by severe service conditions – damaged tires, improperly repaired tires, and deflation of tires to operate off-road, without re-inflation when returned to 100+ mile per hour operation on the highway. In the extreme heat and operating conditions, tires failed. There are no remotely comparable operating conditions in the U.S. For these reasons and because no defects in the tires could be found, Firestone did not participate in or bear any costs of Ford's Saudi Arabia tire replacement program.

That decision had nothing to do with U.S. regulatory concerns, and Firestone personnel did not suggest to Ford that its tire replacement program in Saudi Arabia should be dropped because it would or might trigger an obligation to report to the DOT or the NHTSA. In discussions with Ford, Firestone did tell Ford that Ford might have an obligation to report to DOT if it followed through with its program in Saudi Arabia. However, Firestone understood that this was clearly a Ford decision.

B. Failure to Act on Claims Data

Many questions were raised last week concerning the timing of the August 9 recall, including assertions that, given the number of serious accidents, Firestone should have acted a year or even two years earlier.

While Firestone, the tire industry and the NHTSA have not historically used claims data in evaluating performance and while the number of claims and reported injuries increased dramatically after the February 2000 Houston television program and again after the May 2000 Preliminary Evaluation by the NHTSA, in hindsight, Firestone should have looked more carefully at claims data sooner than it did.

C. Ford "Prying" Information from Firestone

The suggestion that Ford had to "pry" information from Firestone is just not true. Ford is a defendant along with Firestone in all the lawsuits involving tread separations and rollover accidents on Ford Explorers. Firestone gave Ford all the information it wanted and gave it to Ford shortly after it was assembled in mid-July. Any delay in Ford's receipt and analysis of property damage claims data was Ford's, not Firestone's. It took Ford several weeks to provide an agreement with

respect to the use of the data. Ford has been Firestone's best original equipment tire customer for many years, and we have cooperated fully with Ford throughout this difficult period.

D. Additional Recall Data

NHTSA has requested that we recall an additional 1.4 Million tires consisting of 24 product lines or sizes. On 9 of these, the Agency's request was based on the existence of a single tread separation claim. Neither the Agency nor Bridgestone/Firestone has ever previously used claims data as the sole basis for a tire safety decision. Nevertheless, Firestone is committed to working with NHTSA toward developing a cause-based standard based on sensible and rational criteria that is applicable across the entire industry. While at this point Firestone cannot commit to a recall of these lines, we will announce a customer satisfaction program involving the tires discussed in NHTSA's consumer advisory. Regarding these tires, we will provide a free inspection at our company-owned Firestone Tire and Service Centers or authorized participating Firestone retailers. If there is a problem, we will fix it. If a customer is still concerned about his or her tires, we will replace the tires at no cost to the customer if there is a suitable replacement, including competitor's tires.

E. Decatur Plant

The data show that tires produced at Firestone's Decatur, Illinois, plant stand out in the claims and the lawsuits. Firestone does not know why and is turning every stone in its root cause analysis to find out whether there is a

manufacturing problem in that plant. That analysis is extraordinarily complex and difficult and is not completed. While one focus of that analysis concerns the labor strife between 1994 and 1996 and the use of replacement workers, the fact is that Firestone's Decatur plant is staffed by nearly 1800 skilled, experienced and well-trained tire builders, inspectors and other production employees.

F. High Speed Testing at 26 P.S.I.

Firestone follows all industry-standard and legally required testing on all of its product lines, including the recalled tires. In addition, we will conduct additional testing when requested by an OEM customer, who is typically very involved in the testing procedure. Firestone did not conduct any high speed testing of P235/75R15 tires at 26 P.S.I. prior to the introduction of the product line in conjunction with the Explorer. It was Firestone's understanding that Ford conducted testing of the high speed performance of these tires at 26 P.S.I. at its Kingman, Arizona testing facility and that Firestone would be notified if there were any problems.

CONCLUSION

Firestone has manufactured hundreds of millions of safe tires for more than one hundred years. Americans have driven trillions of safe miles on Firestone tires. This situation, with so many deaths and serious injuries, troubles our Company and all our employees deeply. It must never happen again.

Firestone will work with the NHTSA toward developing better early warning systems about tire safety. We commend the new Administrator of the NHTSA, Dr.

Bailey, for her call for development of an in-vehicle system to alert drivers to potential tire pressure problems. Other measures should include requiring the reporting of overseas information regarding tire safety, revision of the tire safety standard, and increasing penalties for violations of NHTSA regulations. We also strongly believe in educating the public about the importance of tire maintenance. We have developed a comprehensive multi-part program to better accomplish this. This nationwide campaign will be run through almost 7,000 company stores and Firestone dealers to provide consumers with safety information through a variety of methods and media.

Much as been made over the past few days about the fact that the Federal Motor Vehicle Safety Standards for tire performance and testing were adopted in 1968, before radial tires were commonly used in this country. Firestone agrees with Dr. Bailey that these standards undoubtedly need to be reevaluated and updated. The adoption of those standards also predated the creation and introduction of an enormous new class of vehicles in this country -- sport utility vehicles and small light trucks. These vehicles commonly operate on tire sizes not even produced 30 years ago, and which fall at the intersection between passenger and light truck tires and Standards 109 and 119. We believe that going forward with new rulemaking and new standards to evaluate and better address the complex interface between these vehicles and tires is essential.

Firestone will also work with this Committee to develop any necessary legislative remedies that will assure to the American public that their tires and

vehicles are safe. The distinct roles of tires and vehicle manufacturers safety need to be brought together, rather than looked at separately. We will work with you toward assuring that this disconnect will come to an end.